



CONNECTICUT BANKERS ASSOCIATION

March 15, 2012

To: Members of the Banks Committee

Fr: Connecticut Bankers Association
Contacts: Tom Mongellow, Fritz Conway

Re: H.B. No. 5417 (RAISED) AN ACT CONCERNING BROKER PRICE OPINIONS.

POSITION: SUPPORT

The Connecticut Bankers Association (CBA), represents all banks doing business throughout the State and is the collective voice of the industry and strongly supports this proposal which would allow Realtors to provide broker price opinions to lenders, in cases where an appraisal is not required.

Connecticut law currently allows real estate brokers or salespeople to offer BPO's as part of a market analysis for an owner (or designee of an owner) for a prospective listing or sale, for a seller or landlord under a listing agreement, or to a prospective buyer or tenant. *Connecticut Section 20-256*. These BPO's are a valuable and cost effective service for the consumers and businesses that use them.

H.B. 5417 would allow realtors to perform BPO's for lenders in circumstances where an appraisal is not required by law or regulation. *This would save consumers hundreds of dollars over the cost of a typical appraisal.* Particularly, during a consumers mortgage modification, restructuring or short sale.

The Dodd-Frank Act, the recently enacted financial regulatory reform, amended FIRREA to clarify that BPOs are permitted in all contexts other than as the primary basis for a mortgage origination decision.

Federal homeowner assistance programs designed to help borrowers avoid foreclosure, *affirmatively allow the use of BPOs* for loan value during the modification and restructuring process. These programs clearly recognize the cost savings benefit of the BPO product.

Outside of Connecticut, *millions* of Broker Price Opinions are performed every year. The overwhelming majority of these were performed for mortgage servicers and lenders in the loan modification and secondary market context. BPOs have become an essential part of the mortgage lending and servicing business and have also developed into an important income stream for real estate professionals, particularly in these difficult economic times. The roles of the real estate professional has expanded from that of being the traditional listing agent, to now providing important, market-based information relating to home values. Mortgage lenders and servicers increasingly have become reliant on real estate brokers' and salespersons' professional opinions as to the price of collateral, particularly in the context of making timely decisions about the value of the property underlying loans. Lenders and servicers and borrowers, value the real time, cost efficient and targeted market information, that real estate brokers and salespersons are positioned to provide.

Other states that have recently looked at this issue have pursued statutes that reflect today's reality and affirmatively allow for BPOs in a broad variety of contexts, *where an appraisal is not required*. Nevada (with broad support from real estate professionals, **appraisers** and real estate valuation companies) enacted a law clarifying that BPOs are acceptable for most uses in the mortgage lending industry, *except*

where an appraisal is needed for a loan origination decision. Nebraska's newly enacted law allows for even broader uses for BPOs: they are permitted except as the *sole* basis for a loan origination decision.

There is a compelling consumer need for BPOs today to assist in the resolution of the mortgage crisis. There are both state and federal statutory precedents supporting their broad use. *Consumers should not be placed at disadvantage in Connecticut because of an outdated law.*

For these reasons, the CBA joins Connecticut Association of Realtors in requesting the Committee's support of this proposal.